

2SSB 5045 - H COMM AMD
By Committee on Finance

ADOPTED AND ENGROSSED 4/16/09

1 Strike everything after the enacting clause and insert the
2 following:

3 "PART I

4 LOCAL REVITALIZATION FINANCING--GENERAL PROVISIONS

5 NEW SECTION. **Sec. 101.** The legislature recognizes that the state
6 as a whole benefits from investment in public infrastructure because it
7 promotes community and economic development. Public investment
8 stimulates business activity and helps create jobs, stimulates the
9 redevelopment of brownfields and blighted areas in the inner city,
10 lowers the cost of housing, and promotes efficient land use. The
11 legislature finds that these activities generate revenue for the state
12 and that it is in the public interest to invest in these projects
13 through a credit against the state sales and use tax to those local
14 governments that can demonstrate the expected returns to the state.

15 NEW SECTION. **Sec. 102.** DEFINITIONS. The definitions in this
16 section apply throughout this chapter unless the context clearly
17 requires otherwise.

18 (1) "Annual state contribution limit" means two million five
19 hundred thousand dollars statewide per fiscal year and the additional
20 amounts designated for demonstration projects in section 402 of this
21 act.

22 (2) "Assessed value" means the valuation of taxable real property
23 as placed on the last completed assessment roll.

24 (3) "Department" means the department of revenue.

25 (4) "Fiscal year" means the twelve-month period beginning July 1st
26 and ending the following June 30th.

27 (5) "Local government" means any city, town, county, and port
28 district.

1 (6) "Local property tax allocation revenue" means those tax
2 revenues derived from the receipt of regular property taxes levied on
3 the property tax allocation revenue value and used for local
4 revitalization financing.

5 (7) "Local revitalization financing" means the use of revenues from
6 local public sources, dedicated to pay the principal and interest on
7 bonds authorized under section 701 of this act and public improvement
8 costs within the revitalization area on a pay-as-you-go basis, and
9 revenues received from the local option sales and use tax authorized in
10 section 601 of this act, dedicated to pay the principal and interest on
11 bonds authorized under section 701 of this act.

12 (8) "Local sales and use tax increment" means the estimated annual
13 increase in local sales and use taxes as determined by the local
14 government in the calendar years following the approval of the
15 revitalization area by the department from taxable activity within the
16 revitalization area.

17 (9) "Local sales and use taxes" means local revenues derived from
18 the imposition of sales and use taxes authorized in RCW 82.14.030.

19 (10) "Ordinance" means any appropriate method of taking legislative
20 action by a local government.

21 (11) "Participating local government" means a local government
22 having a revitalization area within its geographic boundaries that has
23 taken action as provided in section 107(1) of this act to allow the use
24 of all or some of its local sales and use tax increment or other
25 revenues from local public sources dedicated for local revitalization
26 financing.

27 (12) "Participating taxing district" means a local government
28 having a revitalization area within its geographic boundaries that has
29 not taken action as provided in section 106(2) of this act.

30 (13) "Property tax allocation revenue base value" means the
31 assessed value of real property located within a revitalization area,
32 less the property tax allocation revenue value.

33 (14)(a)(i) "Property tax allocation revenue value" means seventy-
34 five percent of any increase in the assessed value of real property in
35 a revitalization area resulting from:

36 (A) The placement of new construction, improvements to property, or
37 both, on the assessment roll, where the new construction and

1 improvements are initiated after the revitalization area is approved by
2 the department;

3 (B) The cost of new housing construction, conversion, and
4 rehabilitation improvements, when the cost is treated as new
5 construction for purposes of chapter 84.55 RCW as provided in RCW
6 84.14.020, and the new housing construction, conversion, and
7 rehabilitation improvements are initiated after the revitalization area
8 is approved by the department;

9 (C) The cost of rehabilitation of historic property, when the cost
10 is treated as new construction for purposes of chapter 84.55 RCW as
11 provided in RCW 84.26.070, and the rehabilitation is initiated after
12 the revitalization area is approved by the department.

13 (ii) Increases in the assessed value of real property in a
14 revitalization area resulting from (a)(i)(A) through (C) of this
15 subsection are included in the property tax allocation revenue value in
16 the initial year. These same amounts are also included in the property
17 tax allocation revenue value in subsequent years unless the property
18 becomes exempt from property taxation.

19 (b) "Property tax allocation revenue value" includes seventy-five
20 percent of any increase in the assessed value of new construction
21 consisting of an entire building in the years following the initial
22 year, unless the building becomes exempt from property taxation.

23 (c) Except as provided in (b) of this subsection, "property tax
24 allocation revenue value" does not include any increase in the assessed
25 value of real property after the initial year.

26 (d) There is no property tax allocation revenue value if the
27 assessed value of real property in a revitalization area has not
28 increased as a result of any of the reasons specified in (a)(i)(A)
29 through (C) of this subsection.

30 (e) For purposes of this subsection, "initial year" means:

31 (i) For new construction and improvements to property added to the
32 assessment roll, the year during which the new construction and
33 improvements are initially placed on the assessment roll;

34 (ii) For the cost of new housing construction, conversion, and
35 rehabilitation improvements, when the cost is treated as new
36 construction for purposes of chapter 84.55 RCW, the year when the cost
37 is treated as new construction for purposes of levying taxes for
38 collection in the following year; and

1 (iii) For the cost of rehabilitation of historic property, when the
2 cost is treated as new construction for purposes of chapter 84.55 RCW,
3 the year when such cost is treated as new construction for purposes of
4 levying taxes for collection in the following year.

5 (15) "Public improvement costs" means the costs of:

6 (a) Design, planning, acquisition, including land acquisition, site
7 preparation including land clearing, construction, reconstruction,
8 rehabilitation, improvement, and installation of public improvements;

9 (b) Demolishing, relocating, maintaining, and operating property
10 pending construction of public improvements;

11 (c) Relocating utilities as a result of public improvements;

12 (d) Financing public improvements, including interest during
13 construction, legal and other professional services, taxes, insurance,
14 principal and interest costs on general indebtedness issued to finance
15 public improvements, and any necessary reserves for general
16 indebtedness; and

17 (e) Administrative expenses and feasibility studies reasonably
18 necessary and related to these costs, including related costs that may
19 have been incurred before adoption of the ordinance authorizing the
20 public improvements and the use of local revitalization financing to
21 fund the costs of the public improvements.

22 (16) "Public improvements" means:

23 (a) Infrastructure improvements within the revitalization area that
24 include:

25 (i) Street, road, bridge, and rail construction and maintenance;

26 (ii) Water and sewer system construction and improvements;

27 (iii) Sidewalks, streetlights, landscaping, and streetscaping;

28 (iv) Parking, terminal, and dock facilities;

29 (v) Park and ride facilities of a transit authority;

30 (vi) Park facilities, recreational areas, and environmental
31 remediation;

32 (vii) Storm water and drainage management systems;

33 (viii) Electric, gas, fiber, and other utility infrastructures; and

34 (b) Expenditures for any of the following purposes:

35 (i) Providing environmental analysis, professional management,
36 planning, and promotion within the revitalization area, including the
37 management and promotion of retail trade activities in the
38 revitalization area;

1 (ii) Providing maintenance and security for common or public areas
2 in the revitalization area; or

3 (iii) Historic preservation activities authorized under RCW
4 35.21.395.

5 (17) "Real property" has the same meaning as in RCW 84.04.090 and
6 also includes any privately owned improvements located on publicly
7 owned land that are subject to property taxation.

8 (18) "Regular property taxes" means regular property taxes as
9 defined in RCW 84.04.140, except: (a) Regular property taxes levied by
10 public utility districts specifically for the purpose of making
11 required payments of principal and interest on general indebtedness;
12 (b) regular property taxes levied by the state for the support of
13 common schools under RCW 84.52.065; and (c) regular property taxes
14 authorized by RCW 84.55.050 that are limited to a specific purpose.
15 "Regular property taxes" do not include excess property tax levies that
16 are exempt from the aggregate limits for junior and senior taxing
17 districts as provided in RCW 84.52.043.

18 (19)(a) "Revenues from local public sources" means:

19 (i) The local sales and use tax amounts received as a result of
20 interlocal agreement, local sales and use tax amounts from sponsoring
21 local governments based on its local sales and use tax increment, and
22 local property tax allocation revenues, which are dedicated by a
23 sponsoring local government, participating local governments, and
24 participating taxing districts, for payment of bonds under section 701
25 of this act or public improvement costs within the revitalization area
26 on a pay-as-you-go basis; and

27 (ii) Any other local revenues, except as provided in (b) of this
28 subsection, including revenues derived from federal and private
29 sources, which are dedicated for the payment of bonds under section 701
30 of this act or public improvement costs within the revitalization area
31 on a pay-as-you-go basis.

32 (b) Revenues from local public sources do not include any local
33 funds derived from state grants, state loans, or any other state moneys
34 including any local sales and use taxes credited against the state
35 sales and use taxes imposed under chapter 82.08 or 82.12 RCW.

36 (20) "Revitalization area" means the geographic area adopted by a
37 sponsoring local government and approved by the department, from which

1 local sales and use tax increments are estimated and property tax
2 allocation revenues are derived for local revitalization financing.

3 (21) "Sponsoring local government" means a city, town, county, or
4 any combination thereof, that adopts a revitalization area.

5 (22) "State contribution" means the lesser of:

6 (a) Five hundred thousand dollars;

7 (b) The project award amount approved by the department as provided
8 in section 401 or 402 of this act; or

9 (c) The total amount of revenues from local public sources
10 dedicated in the preceding calendar year to the payment of principal
11 and interest on bonds issued under section 701 of this act and public
12 improvement costs within the revitalization area on a pay-as-you-go
13 basis. Revenues from local public sources dedicated in the preceding
14 calendar year that are in excess of the project award may be carried
15 forward and used in later years for the purpose of this subsection
16 (22)(c).

17 (23) "State property tax increment" means the estimated amount of
18 annual tax revenues estimated to be received by the state from the
19 imposition of property taxes levied by the state for the support of
20 common schools under RCW 84.52.065 on the property tax allocation
21 revenue value, as determined by the sponsoring local government in an
22 application under section 401 of this act and updated periodically as
23 required in section 501 of this act.

24 (24) "State sales and use tax increment" means the estimated amount
25 of annual increase in state sales and use taxes to be received by the
26 state from taxable activity within the revitalization area in the years
27 following the approval of the revitalization area by the department as
28 determined by the sponsoring local government in an application under
29 section 401 of this act and updated periodically as required in section
30 501 of this act.

31 (25) "State sales and use taxes" means state retail sales and use
32 taxes under RCW 82.08.020(1) and 82.12.020 at the rate provided in RCW
33 82.08.020(1), less the amount of tax distributions from all local
34 retail sales and use taxes, other than the local sales and use taxes
35 authorized by section 601 of this act for the applicable revitalization
36 area, imposed on the same taxable events that are credited against the
37 state retail sales and use taxes under RCW 82.08.020(1) and 82.12.020.

1 (26) "Taxing district" means a government entity that levies or has
2 levied for it regular property taxes upon real property located within
3 a proposed or approved revitalization area.

4 NEW SECTION. **Sec. 103.** CONDITIONS. A local government may
5 finance public improvements using local revitalization financing
6 subject to the following conditions:

7 (1) The local government has adopted an ordinance designating a
8 revitalization area within its boundaries and specified the public
9 improvements proposed to be financed in whole or in part with the use
10 of local revitalization financing;

11 (2) The public improvements proposed to be financed in whole or in
12 part using local revitalization financing are expected to encourage
13 private development within the revitalization area and to increase the
14 fair market value of real property within the revitalization area;

15 (3) The local government has entered into a contract with a private
16 developer relating to the development of private improvements within
17 the revitalization area or has received a letter of intent from a
18 private developer relating to the developer's plans for the development
19 of private improvements within the revitalization area;

20 (4) Private development that is anticipated to occur within the
21 revitalization area, as a result of the public improvements, will be
22 consistent with the countywide planning policy adopted by the county
23 under RCW 36.70A.210 and the local government's comprehensive plan and
24 development regulations adopted under chapter 36.70A RCW;

25 (5) The local government may not use local revitalization financing
26 to finance the costs associated with the financing, design,
27 acquisition, construction, equipping, operating, maintaining,
28 remodeling, repairing, and reequipping of public facilities funded with
29 taxes collected under RCW 82.14.048 or 82.14.390;

30 (6) The governing body of the local government must make a finding
31 that local revitalization financing:

32 (a) Will not be used for the purpose of relocating a business from
33 outside the revitalization area, but within this state, into the
34 revitalization area unless convincing evidence is provided that the
35 firm being relocated would otherwise leave the state;

36 (b) Will improve the viability of existing business entities within
37 the revitalization area; and

1 (c) Will be used exclusively in areas within the jurisdiction of
2 the local government deemed in need of either economic development or
3 redevelopment, or both, and absent the financing available under this
4 chapter and sections 601 and 602 of this act the proposed economic
5 development or redevelopment would more than likely not occur; and

6 (7) The governing body of the local government finds that the
7 public improvements proposed to be financed in whole or in part using
8 local revitalization financing are reasonably likely to:

9 (a) Increase private investment within the revitalization area;

10 (b) Increase employment within the revitalization area; and

11 (c) Generate, over the period of time that the local sales and use
12 tax will be imposed under section 601 of this act, increases in state
13 and local property, sales, and use tax revenues that are equal to or
14 greater than the respective state and local contributions made under
15 this chapter.

16 NEW SECTION. **Sec. 104.** CREATING A REVITALIZATION AREA. (1)

17 Before adopting an ordinance creating the revitalization area, a
18 sponsoring local government must:

19 (a) Provide notice to all taxing districts and local governments
20 with geographic boundaries within the proposed revitalization area of
21 the sponsoring local government's intent to create a revitalization
22 area. Notice must be provided in writing to the governing body of the
23 taxing districts and local governments at least thirty days in advance
24 of the public hearing as required by (b) of this subsection. The
25 notice must include at least the following information:

26 (i) The name of the proposed revitalization area;

27 (ii) The date for the public hearing as required by (b) of this
28 subsection;

29 (iii) The earliest anticipated date when the sponsoring local
30 government will take action to adopt the proposed revitalization area;
31 and

32 (iv) The name of a contact person with phone number of the
33 sponsoring local government and mailing address where a copy of an
34 ordinance adopted under sections 105 and 106 of this act may be sent;
35 and

36 (b) Hold a public hearing on the proposed financing of the public
37 improvements in whole or in part with local revitalization financing.

1 Notice of the public hearing must be published in a legal newspaper of
2 general circulation within the proposed revitalization area at least
3 ten days before the public hearing and posted in at least six
4 conspicuous public places located in the proposed revitalization area.
5 Notices must describe the contemplated public improvements, estimate
6 the costs of the public improvements, describe the portion of the costs
7 of the public improvements to be borne by local revitalization
8 financing, describe any other sources of revenue to finance the public
9 improvements, describe the boundaries of the proposed revitalization
10 area, and estimate the period during which local revitalization
11 financing is contemplated to be used. The public hearing may be held
12 by either the governing body of the sponsoring local government, or a
13 committee of the governing body that includes at least a majority of
14 the whole governing body.

15 (2) To create a revitalization area, a sponsoring local government
16 must adopt an ordinance establishing the revitalization area that:

17 (a) Describes the public improvements proposed to be made in the
18 revitalization area;

19 (b) Describes the boundaries of the revitalization area, subject to
20 the limitations in section 105 of this act;

21 (c) Estimates the cost of the proposed public improvements and the
22 portion of these costs to be financed by local revitalization
23 financing;

24 (d) Estimates the time during which local property tax allocation
25 revenues, and other revenues from local public sources, such as amounts
26 of local sales and use taxes from participating local governments, are
27 to be used for local revitalization financing;

28 (e) Provides the date when the use of local property tax allocation
29 revenues will commence and a list of the taxing districts that have not
30 adopted an ordinance as described in section 106 of this act to be
31 removed as a participating taxing district;

32 (f) Finds that all of the requirements in section 103 of this act
33 are met;

34 (g) Provides the anticipated rate of sales and use tax under
35 section 601 of this act that the local government will impose if
36 awarded a state contribution under section 401 of this act;

37 (h) Provides the anticipated date when the criteria for the sales

1 and use tax in section 601 of this act will be met and the anticipated
2 date when the sales and use tax in section 601 of this act will be
3 imposed.

4 (3) The sponsoring local government must deliver a certified copy
5 of the adopted ordinance to the county treasurer, the governing body of
6 each participating taxing authority and participating taxing district
7 within which the revitalization area is located, and the department.

8 NEW SECTION. **Sec. 105.** LIMITATIONS ON REVITALIZATION AREAS. The
9 designation of a revitalization area is subject to the following
10 limitations:

11 (1) No revitalization area may have within its geographic
12 boundaries any part of a hospital benefit zone under chapter 39.100
13 RCW, any part of a revenue development area created under chapter
14 39.102 RCW, any part of an increment area under chapter 39.89 RCW, or
15 any part of another revitalization area under this chapter;

16 (2) A revitalization area is limited to contiguous tracts, lots,
17 pieces, or parcels of land without the creation of islands of property
18 not included in the revitalization area;

19 (3) The boundaries may not be drawn to purposely exclude parcels
20 where economic growth is unlikely to occur;

21 (4) The public improvements financed through bonds issued under
22 section 701 of this act must be located in the revitalization area;

23 (5) A revitalization area cannot comprise an area containing more
24 than twenty-five percent of the total assessed value of the taxable
25 real property within the boundaries of the sponsoring local government
26 at the time the revitalization area is created;

27 (6) The boundaries of the revitalization area may not be changed
28 for the time period that local property tax allocation revenues, local
29 sales and use taxes of participating local governments, and the local
30 sales and use tax under section 601 of this act are used to pay bonds
31 issued under section 701 of this act and public improvement costs
32 within the revitalization area on a pay-as-you-go basis, as provided
33 under this chapter; and

34 (7) A revitalization area must be geographically restricted to the
35 location of the public improvement and adjacent locations that the
36 sponsoring local government finds to have a high likelihood of

1 receiving direct positive business and economic impacts due to the
2 public improvement, such as a neighborhood or a block.

3 NEW SECTION. **Sec. 106.** OPTING OUT AS A PARTICIPATING TAXING
4 DISTRICT. (1) Participating taxing districts must allow the use of all
5 of their local property tax allocation revenues for local
6 revitalization financing.

7 (2)(a) If a taxing district does not want to allow the use of its
8 property tax revenues for the local revitalization financing of public
9 improvements in a revitalization area, its governing body must adopt an
10 ordinance to remove itself as a participating taxing district and must
11 notify the sponsoring local government.

12 (b) The taxing district must provide a copy of the adopted
13 ordinance and notice to the sponsoring local government creating the
14 revitalization area before the anticipated date that the sponsoring
15 local government proposes to adopt the ordinance creating the
16 revitalization area as provided in the notice required by section
17 104(1)(a) of this act.

18 NEW SECTION. **Sec. 107.** OPTING IN OR OUT AS A PARTICIPATING LOCAL
19 GOVERNMENT. (1) A participating local government must enter into an
20 interlocal agreement as provided in chapter 39.34 RCW to participate in
21 local revitalization financing with the sponsoring local government.

22 (2)(a) If a local government that imposes a sales and use tax under
23 RCW 82.14.030 does not want to participate in the local revitalization
24 financing of public improvements in a revitalization area, its
25 governing body must adopt an ordinance and notify the sponsoring local
26 government that the taxing authority will not be a participating local
27 government.

28 (b) The local government must provide a copy of the adopted
29 ordinance and the notice to the sponsoring local government creating
30 the revitalization area before the anticipated date that the sponsoring
31 local government proposes to adopt an ordinance creating the
32 revitalization area as provided in the notice required by section
33 104(1)(a) of this act.

34 **PART II**

35 **LOCAL REVITALIZATION FINANCING**

1 **USE OF LOCAL PROPERTY TAX ALLOCATION REVENUES TO PAY FOR**
2 **THE COST OF PUBLIC IMPROVEMENTS**

3 NEW SECTION. **Sec. 201.** LOCAL PROPERTY TAX ALLOCATION REVENUES.

4 (1) Commencing in the second calendar year following the creation of a
5 revitalization area by a sponsoring local government, the county
6 treasurer shall distribute receipts from regular taxes imposed on real
7 property located in the revitalization area as follows:

8 (a) Each participating taxing district and the sponsoring local
9 government must receive that portion of its regular property taxes
10 produced by the rate of tax levied by or for the taxing district on the
11 property tax allocation revenue base value for that local
12 revitalization financing project in the taxing district; and

13 (b) The sponsoring local government must receive an additional
14 portion of the regular property taxes levied by it and by or for each
15 participating taxing district upon the property tax allocation revenue
16 value within the revitalization area. However, if there is no property
17 tax allocation revenue value, the sponsoring local government may not
18 receive any additional regular property taxes under this subsection
19 (1)(b). The sponsoring local government may agree to receive less than
20 the full amount of the additional portion of regular property taxes
21 under this subsection (1)(b) as long as bond debt service, reserve, and
22 other bond covenant requirements are satisfied, in which case the
23 balance of these tax receipts shall be allocated to the participating
24 taxing districts that levied regular property taxes, or have regular
25 property taxes levied for them, in the revitalization area for
26 collection that year in proportion to their regular tax levy rates for
27 collection that year. The sponsoring local government may request that
28 the treasurer transfer this additional portion of the property taxes to
29 its designated agent. The portion of the tax receipts distributed to
30 the sponsoring local government or its agent under this subsection
31 (1)(b) may only be expended to finance public improvement costs
32 associated with the public improvements financed in whole or in part by
33 local revitalization financing.

34 (2) The county assessor shall determine the property tax allocation
35 revenue value and property tax allocation revenue base value. This
36 section does not authorize revaluations of real property by the

1 assessor for property taxation that are not made in accordance with the
2 assessor's revaluation plan under chapter 84.41 RCW or under other
3 authorized revaluation procedures.

4 (3) The distribution of local property tax allocation revenue to
5 the sponsoring local government must cease when local property tax
6 allocation revenues are no longer obligated to pay the costs of the
7 public improvements. Any excess local property tax allocation
8 revenues, and earnings on the revenues, remaining at the time the
9 distribution of local property tax allocation revenue terminates, must
10 be returned to the county treasurer and distributed to the
11 participating taxing districts that imposed regular property taxes, or
12 had regular property taxes imposed for it, in the revitalization area
13 for collection that year, in proportion to the rates of their regular
14 property tax levies for collection that year.

15 (4) The allocation to the revitalization area of that portion of
16 the sponsoring local government's and each participating taxing
17 district's regular property taxes levied upon the property tax
18 allocation revenue value within that revitalization area is declared to
19 be a public purpose of and benefit to the sponsoring local government
20 and each participating taxing district.

21 (5) The distribution of local property tax allocation revenues
22 under this section may not affect or be deemed to affect the rate of
23 taxes levied by or within any sponsoring local government and
24 participating taxing district or the consistency of any such levies
25 with the uniformity requirement of Article VII, section 1 of the state
26 Constitution.

27 **PART III**

28 **LOCAL REVITALIZATION FINANCING**

29 **USE OF LOCAL SALES AND USE TAX INCREMENTS TO PAY FOR**

30 **THE COST OF PUBLIC IMPROVEMENTS**

31 NEW SECTION. **Sec. 301.** LOCAL SALES AND USE TAX INCREMENTS. (1)
32 A sponsoring local government may use annually local sales and use tax
33 amounts equal to some or all of its local sales and use tax increments
34 to finance public improvements in the revitalization area. The amounts
35 of local sales and use tax dedicated by a participating local
36 government must begin and cease on the dates specified in an interlocal

1 agreement authorized in chapter 39.34 RCW. Sponsoring local
2 governments and participating local governments are authorized to
3 allocate some or all of their local sales and use tax increment to the
4 sponsoring local government as provided by section 107(1) of this act.

5 (2) The department, upon request, must assist sponsoring local
6 governments in estimating sales and use tax revenues from estimated
7 taxable activity in the proposed or adopted revitalization area. The
8 sponsoring local government must provide the department with accurate
9 information describing the geographical boundaries of the
10 revitalization area in an electronic format or in a manner as otherwise
11 prescribed by the department.

12 **PART IV**

13 **LOCAL REVITALIZATION FINANCING--STATE CONTRIBUTION**

14 NEW SECTION. **Sec. 401.** APPLICATION PROCESS--DEPARTMENT OF REVENUE
15 APPROVAL. (1) Prior to applying to the department to receive a state
16 contribution, a sponsoring local government shall adopt a
17 revitalization area within the limitations in section 105 of this act
18 and in accordance with section 104 of this act.

19 (2) As a condition to imposing a sales and use tax under section
20 601 of this act, a sponsoring local government must apply to the
21 department and be approved for a project award amount. The application
22 must be in a form and manner prescribed by the department and include,
23 but not be limited to:

24 (a) Information establishing that over the period of time that the
25 local sales and use tax will be imposed under section 601 of this act,
26 increases in state and local property, sales, and use tax revenues as
27 a result of public improvements in the revitalization area will be
28 equal to or greater than the respective state and local contributions
29 made under this chapter;

30 (b) Information demonstrating that the sponsoring local government
31 will meet the requirements necessary to receive the full amount of
32 state contribution it is requesting on an annual basis;

33 (c) The amount of state contribution it is requesting;

34 (d) The anticipated effective date for imposing the tax under
35 section 601 of this act;

36 (e) The estimated number of years that the tax will be imposed;

1 (f) The anticipated rate of tax to be imposed under section 601 of
2 this act, subject to the rate-setting conditions in section 601(3) of
3 this act, should the sponsoring local government be approved for a
4 project award; and

5 (g) The anticipated date when bonds under section 701 of this act
6 will be issued.

7 The department shall make available electronic forms to be used for
8 this purpose. As part of the application, each applicant must provide
9 to the department a copy of the adopted ordinance creating the
10 revitalization area as required in section 104 of this act, copies of
11 any adopted interlocal agreements from participating local governments,
12 and any notices from taxing districts that elect not to be a
13 participating taxing district.

14 (3)(a) Project awards must be determined on:

15 (i) A first-come basis for applications completed in their entirety
16 and submitted electronically;

17 (ii) The availability of a state contribution;

18 (iii) Whether the sponsoring local government would be able to
19 generate enough tax revenue under section 601 of this act to generate
20 the amount of project award requested.

21 (b) The total of all project awards may not exceed the annual state
22 contribution limit.

23 (c) If the level of available state contribution is less than the
24 amount requested by the next available applicant, the applicant must be
25 given the first opportunity to accept the lesser amount of state
26 contribution but only if the applicant produces a new application
27 within sixty days of being notified by the department and the
28 application describes the impact on the proposed project as a result of
29 the lesser award in addition to new application information outlined in
30 subsection (2) of this section.

31 (d) Applications that are not approved for a project award due to
32 lack of available state contribution must be retained on file by the
33 department in order of the date of their receipt.

34 (e) Once total project awards reach the amount of annual state
35 contribution limit, no more applications will be accepted.

36 (f) If the annual contribution limit is increased, applications
37 will be accepted again beginning sixty days after the effective date of
38 the increase. However, in the time period before any new applications

1 are accepted, all sponsoring local governments with a complete
2 application already on file with the department must be provided an
3 opportunity to either withdraw their application or update the
4 information in the application. The updated application must be for a
5 project that is substantially the same as the project in the original
6 application. The department must consider these applications, in the
7 order originally submitted, for project awards prior to considering any
8 new applications.

9 (4) The department shall notify the sponsoring local government of
10 approval or denial of a project award within sixty days of the
11 department's receipt of the sponsoring local government's application.
12 Determination of a project award by the department is final.
13 Notification must include the earliest date when the tax authorized
14 under section 601 of this act may be imposed, subject to conditions in
15 chapter 82.14 RCW. The project award notification must specify the
16 rate requested in the application and any adjustments to the rate that
17 would need to be made based on the project award and rate restrictions
18 in section 601 of this act.

19 (5) The department must begin accepting applications on September
20 1, 2009.

21 NEW SECTION. **Sec. 402.** A new section is added to chapter 82.14
22 RCW to read as follows:

23 (1) Demonstration projects are designated to determine the
24 feasibility of local revitalization financing. For the purpose of this
25 section, "annual state contribution limit" means two million two
26 hundred fifty thousand dollars statewide per fiscal year.
27 Notwithstanding section 401 of this act, the department shall approve
28 each demonstration project as follows:

29 (a) The Whitman county Pullman/Moscow corridor improvement project
30 award shall not exceed two hundred thousand dollars;

31 (b) The University Place improvement project award shall not exceed
32 five hundred thousand dollars;

33 (c) The Tacoma international financial services area/Tacoma dome
34 project award shall not exceed five hundred thousand dollars;

35 (d) The Bremerton downtown improvement project award shall not
36 exceed three hundred thirty thousand dollars;

1 (e) The Auburn downtown redevelopment project award shall not
2 exceed two hundred fifty thousand dollars;

3 (f) The Vancouver Columbia waterfront/downtown project award shall
4 not exceed two hundred twenty thousand dollars; and

5 (g) The Spokane University District project award shall not exceed
6 two hundred fifty thousand dollars.

7 (2) Local government sponsors of demonstration projects must submit
8 to the department no later than September 1, 2009, documentation that
9 substantiates that the project has met the conditions, limitations, and
10 requirements provided in this act.

11 (3) Within sixty days of such submittal, the department shall
12 approve demonstration projects that have met these conditions,
13 limitations, and requirements.

14 (4) Local government sponsors of demonstration projects may elect
15 to decline the project awards as designated in this section, and may
16 elect instead to submit applications according to the process described
17 in section 401 of this act.

18 **PART V**

19 **ACCOUNTABILITY REPORTS**

20 NEW SECTION. **Sec. 501.** A new section is added to chapter 82.32
21 RCW to read as follows:

22 **REPORTING REQUIREMENTS.** (1) A sponsoring local government
23 receiving a project award under section 401 of this act must provide a
24 report to the department by March 1st of each year beginning March 1st
25 after the project award has been approved. The report must contain the
26 following information:

27 (a) The amounts of local property tax allocation revenues received
28 in the preceding calendar year broken down by sponsoring local
29 government and participating taxing district;

30 (b) The amount of state property tax allocation revenues estimated
31 to have been received by the state in the preceding calendar year;

32 (c) The amount of local sales and use tax and other revenue from
33 local public sources dedicated by any participating local government
34 used for the payment of bonds under section 701 of this act and public
35 improvement costs within the revitalization area on a pay-as-you-go
36 basis in the preceding calendar year;

1 (d) The amount of local sales and use tax dedicated by the
2 sponsoring local government, as it relates to the sponsoring local
3 government's local sales and use tax increment, used for the payment of
4 bonds under section 701 of this act and public improvement costs within
5 the revitalization area on a pay-as-you-go basis;

6 (e) The amounts, other than those listed in (a) through (d) of this
7 subsection, from local public sources, broken down by type or source,
8 used for payment of bonds under section 701 of this act or public
9 improvement costs within the revitalization area on a pay-as-you-go
10 basis in the preceding calendar year;

11 (f) The anticipated date when bonds under section 701 of this act
12 are expected to be retired;

13 (g) The names of any businesses locating within the revitalization
14 area as a result of the public improvements undertaken by the
15 sponsoring local government and financed in whole or in part with local
16 revitalization financing;

17 (h) An estimate of the cumulative number of permanent jobs created
18 in the revitalization area as a result of the public improvements
19 undertaken by the sponsoring local government and financed in whole or
20 in part with local revitalization financing;

21 (i) An estimate of the average wages and benefits received by all
22 employees of businesses locating within the revitalization area as a
23 result of the public improvements undertaken by the sponsoring local
24 government and financed in whole or in part with local revitalization
25 financing;

26 (j) A list of public improvements financed by bonds issued under
27 section 701 of this act and the date on which the bonds are anticipated
28 to be retired;

29 (k) That the sponsoring local government is in compliance with
30 section 103 of this act;

31 (l) At least once every three years, updated estimates of the
32 amounts of state and local sales and use tax increments estimated to
33 have been received since the approval by the department of the project
34 award under section 401 of this act; and

35 (m) Any other information required by the department to enable the
36 department to fulfill its duties under this chapter and section 601 of
37 this act.

1 (2) The department shall make a report available to the public and
2 the legislature by June 1st of each year. The report shall include a
3 summary of the information provided to the department by sponsoring
4 local governments under subsection (1) of this section.

5 **PART VI**
6 **LOCAL SALES AND USE TAX CREDITED AGAINST THE**
7 **STATE SALES AND USE TAXES**

8 NEW SECTION. **Sec. 601.** LOCAL SALES AND USE TAX. (1) Any city or
9 county that has been approved for a project award under section 401 of
10 this act may impose a sales and use tax under the authority of this
11 section in accordance with the terms of this chapter. Except as
12 provided in this section, the tax is in addition to other taxes
13 authorized by law and must be collected from those persons who are
14 taxable by the state under chapters 82.08 and 82.12 RCW upon the
15 occurrence of any taxable event within the taxing jurisdiction of the
16 city or county.

17 (2) The tax authorized under subsection (1) of this section is
18 credited against the state taxes imposed under RCW 82.08.020(1) and
19 82.12.020 at the rate provided in RCW 82.08.020(1). The department
20 must perform the collection of such taxes on behalf of the city or
21 county at no cost to the city or county. The taxes must be distributed
22 to cities and counties as provided in RCW 82.14.060.

23 (3) The rate of tax imposed by a city or county may not exceed the
24 lesser of:

25 (a) The rate provided in RCW 82.08.020(1), less:

26 (i) The aggregate rates of all other local sales and use taxes
27 imposed by any taxing authority on the same taxable events;

28 (ii) The aggregate rates of all taxes under RCW 82.14.465 and
29 82.14.475 and this section that are authorized but have not yet been
30 imposed on the same taxable events by a city or county that has been
31 approved to receive a state contribution by the department or the
32 community economic revitalization board under chapter 39.-- RCW (the
33 new chapter created in section 805 of this act) or chapter 39.100 or
34 39.102 RCW; and

35 (iii) The percentage amount of distributions required under RCW

1 82.08.020(5) multiplied by the rate of state taxes imposed under RCW
2 82.08.020(1); and

3 (b) The rate, as determined by the city or county in consultation
4 with the department, reasonably necessary to receive the project award
5 under section 401 of this act over ten months.

6 (4) The department, upon request, must assist a city or county in
7 establishing its tax rate in accordance with subsection (3) of this
8 section. Once the rate of tax is selected through the application
9 process and approved under section 401 of this act, it may not be
10 increased.

11 (5)(a) Except as provided in (c) of this subsection, no tax may be
12 imposed under the authority of this section before:

- 13 (i) July 1, 2011;
- 14 (ii) July 1st of the second calendar year following the year in
15 which the department approved the application made under section 401 of
16 this act;
- 17 (iii) The state sales and use tax increment and state property tax
18 increment for the preceding calendar year equal or exceed the amount of
19 the project award approved by the department under section 401 of this
20 act; and

21 (iv) Bonds have been issued according to section 701 of this act.

22 (b) The tax imposed under this section expires the earlier of the
23 date that the bonds issued under the authority of section 701 of this
24 act are retired or twenty-five years after the tax is first imposed.

25 (c) For a demonstration project described in section 402 of this
26 act, no tax may be imposed under the authority of this section before:

- 27 (i) July 1, 2010; and
- 28 (ii) Bonds have been issued according to section 701 of this act.

29 (6) An ordinance or resolution adopted by the legislative authority
30 of the city or county imposing a tax under this section must provide
31 that:

32 (a) The tax will first be imposed on the first day of a fiscal
33 year;

34 (b) The cumulative amount of tax received by the city or county, in
35 any fiscal year, may not exceed the amount approved by the department
36 under subsection (10) of this section;

37 (c) The department must cease distributing the tax for the
38 remainder of any fiscal year in which either:

1 (i) The amount of tax received by the city or county equals the
2 amount of distributions approved by the department for the fiscal year
3 under subsection (10) of this section; or

4 (ii) The amount of revenue from taxes imposed under this section by
5 all cities and counties equals the annual state contribution limit;

6 (d) The tax will be distributed again, should it cease to be
7 distributed for any of the reasons provided in (c) of this subsection,
8 at the beginning of the next fiscal year, subject to the restrictions
9 in this section; and

10 (e) The state is entitled to any revenue generated by the tax in
11 excess of the amounts specified in (c) of this subsection.

12 (7) If a city or county receives approval for more than one
13 revitalization area within its jurisdiction, the city or county may
14 impose a sales and use tax under this section for each revitalization
15 area.

16 (8) The department must determine the amount of tax receipts
17 distributed to each city and county imposing a sales and use tax under
18 the authority of this section and must advise a city or county when tax
19 distributions for the fiscal year equal the amount determined by the
20 department in subsection (10) of this section. Determinations by the
21 department of the amount of tax distributions attributable to a city or
22 county are not appealable. The department must remit any tax receipts
23 in excess of the amounts specified in subsection (6)(c) of this section
24 to the state treasurer who must deposit the money in the general fund.

25 (9) If a city or county fails to comply with section 501 of this
26 act, no tax may be distributed in the subsequent fiscal year until such
27 time as the city or county complies and the department calculates the
28 state contribution amount according to subsection (10) of this section
29 for the fiscal year.

30 (10)(a) For each fiscal year that a city or county imposes the tax
31 under the authority of this section, the department must approve the
32 amount of taxes that may be distributed to the city or county. The
33 amount approved by the department under this subsection is the lesser
34 of:

35 (i) The state contribution;

36 (ii) The amount of project award granted by the department as
37 provided in section 401 of this act; or

1 (iii) The total amount of revenues from local public sources
2 dedicated in the preceding calendar year, as reported in the required
3 annual report under section 501 of this act.

4 (b) A city or county may not receive, in any fiscal year, more
5 revenues from taxes imposed under the authority of this section than
6 the amount approved annually by the department.

7 (11) The amount of tax distributions received from taxes imposed
8 under the authority of this section by all cities and counties is
9 limited annually to not more than the amount of annual state
10 contribution limit.

11 (12) The definitions in section 102 of this act apply to this
12 section subject to subsection (13) of this section and unless the
13 context clearly requires otherwise.

14 (13) For purposes of this section, the following definitions apply:

15 (a) "Local sales and use taxes" means sales and use taxes imposed
16 by cities, counties, public facilities districts, and other local
17 governments under the authority of this chapter, chapter 67.28 or 67.40
18 RCW, or any other chapter, and that are credited against the state
19 sales and use taxes.

20 (b) "State sales and use taxes" means the taxes imposed in RCW
21 82.08.020(1) and 82.12.020.

22 NEW SECTION. **Sec. 602.** USE OF SALES AND USE TAX FUNDS. Money
23 collected from the taxes imposed under section 601 of this act may be
24 used only for the purpose of paying debt service on bonds issued under
25 the authority in section 701 of this act.

26 **PART VII**
27 **BOND AUTHORIZATION**

28 NEW SECTION. **Sec. 701.** ISSUANCE OF GENERAL OBLIGATION BONDS. (1)
29 A sponsoring local government creating a revitalization area and
30 authorizing the use of local revitalization financing may incur general
31 indebtedness, and issue general obligation bonds, to finance the public
32 improvements and retire the indebtedness in whole or in part from local
33 revitalization financing it receives, subject to the following
34 requirements:

1 (a) The ordinance adopted by the sponsoring local government
2 creating the revitalization area and authorizing the use of local
3 revitalization financing indicates an intent to incur this indebtedness
4 and the maximum amount of this indebtedness that is contemplated; and

5 (b) The sponsoring local government includes this statement of the
6 intent in all notices required by section 104 of this act.

7 (2) The general indebtedness incurred under subsection (1) of this
8 section may be payable from other tax revenues, the full faith and
9 credit of the sponsoring local government, and nontax income, revenues,
10 fees, and rents from the public improvements, as well as contributions,
11 grants, and nontax money available to the local government for payment
12 of costs of the public improvements or associated debt service on the
13 general indebtedness.

14 (3) In addition to the requirements in subsection (1) of this
15 section, a sponsoring local government creating a revitalization area
16 and authorizing the use of local revitalization financing may require
17 any nonpublic participants to provide adequate security to protect the
18 public investment in the public improvement within the revitalization
19 area.

20 (4) Bonds issued under this section must be authorized by ordinance
21 of the sponsoring local government and may be issued in one or more
22 series and must bear a date or dates, be payable upon demand or mature
23 at a time or times, bear interest at a rate or rates, be in a
24 denomination or denominations, be in a form either coupon or registered
25 as provided in RCW 39.46.030, carry conversion or registration
26 privileges, have a rank or priority, be executed in a manner, be
27 payable in a medium of payment, at a place or places, and be subject to
28 terms of redemption with or without premium, be secured in a manner,
29 and have other characteristics, as may be provided by an ordinance or
30 trust indenture or mortgage issued pursuant thereto.

31 (5) The sponsoring local government may annually pay into a fund to
32 be established for the benefit of bonds issued under this section a
33 fixed proportion or a fixed amount of any local property tax allocation
34 revenues derived from property within the revitalization area
35 containing the public improvements funded by the bonds, the payment to
36 continue until all bonds payable from the fund are paid in full. The
37 local government may also annually pay into the fund established in
38 this section a fixed proportion or a fixed amount of any revenues

1 derived from taxes imposed under section 601 of this act, such payment
2 to continue until all bonds payable from the fund are paid in full.
3 Revenues derived from taxes imposed under section 601 of this act are
4 subject to the use restriction in section 602 of this act.

5 (6) In case any of the public officials of the sponsoring local
6 government whose signatures appear on any bonds or any coupons issued
7 under this chapter cease to be the officials before the delivery of the
8 bonds, the signatures must, nevertheless, be valid and sufficient for
9 all purposes, the same as if the officials had remained in office until
10 the delivery. Any provision of any law to the contrary
11 notwithstanding, any bonds issued under this chapter are fully
12 negotiable.

13 (7) Notwithstanding subsections (4) through (6) of this section,
14 bonds issued under this section may be issued and sold in accordance
15 with chapter 39.46 RCW.

16 NEW SECTION. **Sec. 702.** USE OF TAX REVENUE FOR BOND REPAYMENT. A
17 sponsoring local government that issues bonds under section 701 of this
18 act to finance public improvements may pledge for the payment of such
19 bonds all or part of any local property tax allocation revenues derived
20 from the public improvements. The sponsoring local government may also
21 pledge all or part of any revenues derived from taxes imposed under
22 section 601 of this act and held in connection with the public
23 improvements. All of such tax revenues are subject to the use
24 restriction in section 602 of this act.

25 NEW SECTION. **Sec. 703.** LIMITATION ON BONDS ISSUED. The bonds
26 issued by a local government under section 701 of this act to finance
27 public improvements do not constitute an obligation of the state of
28 Washington, either general or special.

29 **PART VIII**
30 **MISCELLANEOUS**

31 NEW SECTION. **Sec. 801.** SEVERABILITY. If any provision of this
32 act or its application to any person or circumstance is held invalid,
33 the remainder of the act or the application of the provision to other
34 persons or circumstances is not affected.

1 NEW_SECTION. **Sec. 802.** CAPTIONS AND PART HEADINGS NOT LAW.
2 Captions and part headings used in this act do not constitute any part
3 of the law.

4 NEW_SECTION. **Sec. 803.** AUTHORITY. Nothing in this act may be
5 construed to give port districts the authority to impose a sales or use
6 tax under chapter 82.14 RCW.

7 NEW_SECTION. **Sec. 804.** ADMINISTRATION BY THE DEPARTMENT. The
8 department of revenue may adopt any rules under chapter 34.05 RCW it
9 considers necessary for the administration of this chapter.

10 NEW_SECTION. **Sec. 805.** Sections 101 through 401 and 701 through
11 804 of this act constitute a new chapter in Title 39 RCW.

12 NEW_SECTION. **Sec. 806.** Sections 601 and 602 of this act are each
13 added to chapter 82.14 RCW."

14 Correct the title.

--- END ---